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TO RUEHHK/AMCONSUL HONG KONG 8158
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S E C R E T SECTION 01 OF 03 BEIJING 019683

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AMCONSUL HONG KONG FOR FCS/PANKEL
STATE FOR EAP/CM
STATE FOR EB/ESP
NSC FOR PROSTRATE
NSC FOR ASIA
DEPARTMENT OF HOMELAND SECURITY FOR ICE/NATIONAL SECURITY
UNIT

E.O. 12958: DECL: 09/19/2016

TAGS: BEXP CH ETRD ETTC PREL

SUBJECT: PRE-LICENSE CHECK: D357208 DEVELOPMENT AND
RESEARCH CENTER OF CHINA GEOLOGICAL SURVEY

REF: USDOC 3978 (07/10/06)

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Classified By: Minister-Counselor Barry Friedman

11. (U) Unauthorised disclosure of the information provided
below is prohibited
by Section 12(c) of the Export Administration Act.

12. (U) REFTEL requested a Pre-License Check (PLC) to be
conducted at the facilities of
the DEVELOPMENT AND RESEARCH CENTER OF CHINA GEOLOGICAL
SURVEY (CGS), No. 40 Xue Yuan Road,
Haidian District, Beijing, China (86-10-6230-3040) to
determine the reliability of CGS to
receive U.S.-controlled items and technology. BIS License
Application D357208 lists the
DEVELOPMENT AND RESEARCH CENTER OF CHINA GEOLOGICAL SURVEY
(CGS) as the potential ultimate
consignee of two optically pumped magnetometers with a
sensitivity of 8 PT (RMS) per square
root HZ at a frequency of 1 HZ. These items are classified
under ECCN 6A006, valued at
\$45,250, and are controlled for national security reasons.
GEOMETRICS INC., 2190 Fortune
Drive, San Jose, CA 95131 (408-428-4249) submitted this
license application. The foreign
purchaser is LAUREL TECHNOLOGIES COMPANY LTD, Room B&C, 5/F,
1E. Commercial Centre, 83 Nam
On Street, Shau Kei Wan, Hong Kong (852-3110-3380). The
intermediate consignee is CHINA
NATIONAL INSTRUMENTS IMPORTER, Room 618 Instrimpex Building,
No. 6 Xizhimenwai Street,
Beijing, China (86-10-8831-6634).

13. (U) On August 8, 2006, ECO requested that the Department
of Mechanical, Electrical
and High-Technology Industries of the Ministry of Commerce
(MOFCOM) arrange a pre-license
visit to the DEVELOPMENT AND RESEARCH CENTER OF THE CHINA
GEOLOGICAL SURVEY (CGS) in

accordance with the Exchange of Letters on End-Use Visit Understanding. On August 16, 2006, MOFCOM scheduled this visit for August 18, 2006.

¶4. (U) On August 18, 2006, ECO and Commercial Specialist ZHAO Peining, accompanied by MOFCOM official WEI Jie, met Dr. ZHANG Minghua, Senior Geophysicist, YAN Guangshen, Chief Geophysicist, and others at the temporary premises of CGS. Drs. ZHANG and YAN explained that the main offices of CGS are currently being renovated and that various departments have been temporarily dispersed to other locations.

¶5. (U) Drs. ZHANG and YAN stated that the CGS engages in geological research including mapping of land formations other geological phenomena for basic research, oil and mineral exploration, and environmental research purposes. Drs. ZHANG and YAN will also lead a delegation of scientists from CGS to the United States in September 2006 to meet with their counterparts at the U.S. Geological Survey and discuss global resource management issues.

¶6. (U) The CGS used to be under the Ministry of Homeland Resources but is currently under the direction of the China Geological Survey Bureau. CGS receives national-level funding from various sources including the National Natural Science Foundation. CGS currently employs approximately 190 employees, of which one-thirds are senior researchers. All research is considered open and results are published on the CGS website,

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www.cgs.gov.cn. As well, CGS maintains a library of publications and other materials relating to geological research, which is open to the public.

¶7. (U) According to Drs. ZHANG and YAN, CGS currently possesses magnetometers, though not as precise as the ones sought in this license application. CGS also possesses other equipment of a similar nature and purpose including gravity meters. CGS officials took ECO CS and MOFCOM officials to view equipment currently stored at No. 45 Fu Wai Da Jie, 2/F, which will also be the permanent location of CGS after renovations are completed. The equipment room is clearly marked as such and appears to be locked when not in use. ECO observed various pieces of equipment, which appeared to exhibit wear consistent with field use for geological research. If this export license is approved, the magnetometers would be stored at this location when not deployed for field research. This location also houses the research library for CGS.

¶8. (S) Drs. ZHANG and YAN stated that the magnetometers will be used in field research in Tibet and other locations. They provided ECO with a brief description in Chinese of their proposed research projects in the Qing-Tibet Plateau, and identified two field research sites: Ke Ke Xi Li Basin located at E93 degrees 21.1, N35 degrees 52.2 and E92 degrees 53.5, N34 degrees 43.5; and Dong Cuo Dong located at E85 degrees 14, N32 degrees 24 and E85 degrees 06, N30 degrees 49. Drs. ZHANG and YAN described the field research projects as oil and magnetic surveys, stating that

they will attempt to obtain data on geological layers, gravity and magnetic properties of the Earth in these areas.

19. (S) THIS IS AN ACTION REQUEST (N/F - STRICTLY PROTECT):
Post resources have not been able to identify whether the coordinates for the proposed CGS research projects would be of concern to USG interests. ECO therefore respectfully seeks BIS/OEA and OEE assistance in forwarding these coordinates to appropriate USG agencies to verify that deployment of U.S.-controlled magnetometers would not be detrimental to USG interests. ECO further conditions PLC recommendation upon favourable outcome of this information.

10.(U) ACTION FOR AMCONSUL HONG KONG: CGS officials stated that their contract is with CHINA NATIONAL INSTRUMENTS IMPORTER and further advise that this contract was secured through an open-bidding process. CGS officials deny any knowledge of the foreign purcher, as does MOFCOM. CO-Beijing did not receive any derogatory information regarding either the foreign purchaser or intermediate consignee. Per REFTEL, ECO-Beijing understands the foreign purchaser, LAUREL TECHNOLOGIES LTD, to be authorised regional sales representative for the license applicant, GEOMETRICS INC. ECO-Hong Kong is respectfully requested to provide any appropriate information regarding the foreign purchaser directly to BIS/OEA.

11.(U) RECOMMENDATION - FAVOURABLE. Based upon the information available during this Pre-License Check and conditioned upon favourable outcome of action requests, ECO

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recommends the DEVELOPMENT AND RESEARCH CENTER OF THE CHINA GEOLOGICAL SURVEY as likely to be a reliable recipient of U.S.-contrlled items and technology as described in REFTEL, to be used as described above.

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